

December 2001

## Do the Services Need a Deployment Pay?

Martha E. Koopman • Anita U. Hattiangadi



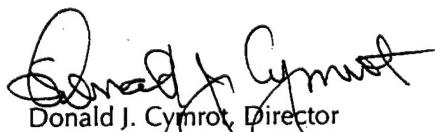
**DISTRIBUTION UNLIMITED**

4825 Mark Center Drive • Alexandria, Virginia 22311-1850

2002 1104 043

Approved for distribution:

Decer



Donald J. Cymrot, Director  
Workforce, Education and Training Team  
Resource Analysis Division

This document represents the best opinion of CNA at the time of issue.  
It does not necessarily represent the opinion of the Department of the Navy.

**CLEARED FOR PUBLIC RELEASE**  
Distribution of this document is unlimited. Copying is permitted. N00014-00-D-0700.  
For copies of this document call: CNA Document Control and Distribution Section at 703-824-2123.



# Contents

<b>Introduction</b> . . . . .	1
<b>Definitions and key concepts</b> . . . . .	3
Identifying goals and hardships . . . . .	3
Recognition pays or compensating differentials? . . . . .	4
Defining deployments . . . . .	5
Developing a deployment pay structure . . . . .	8
Length of time away . . . . .	8
Planned vs. unplanned absences . . . . .	9
The role of dependency status . . . . .	9
<b>Pays used to compensate for deployment-related hardships</b> . .	11
Career Sea Pay (CSP) . . . . .	11
Career Sea Pay Premium (CSPP) . . . . .	14
Submarine Duty Pay (SDP) . . . . .	16
Family Separation Allowance (FSA) . . . . .	17
Hostile Fire/Imminent Danger Pay (HF/IDP) . . . . .	19
Hardship Duty Pay (HDP) . . . . .	20
HDP-M. . . . .	20
HDP-L . . . . .	20
Overseas Tour Extension Incentive Pay (OTEIP) . . . . .	21
Combat Zone Tax Exclusion (CZTE) . . . . .	22
Exclusion amounts . . . . .	24
Combat Zone/Military Action Forgiveness . . . . .	25
Burdensome Tempo Pay (BTP) . . . . .	25
Other pays . . . . .	26
<b>Use of current away pays</b> . . . . .	27
Budget data . . . . .	27
Actual pay data . . . . .	30
<b>Is a new deployment pay needed?</b> . . . . .	35
Are existing pays adequate? . . . . .	35
Are existing pays appropriately structured? . . . . .	36

<b>Policy options</b> . . . . .	39
A sea pay equivalent for non-sea services . . . . .	39
Extend FSA . . . . .	40
Adopting a new deployment pay: HDP-Tempo. . . . .	40
Background . . . . .	40
Flexibility . . . . .	41
Tax relief proposals . . . . .	42
Distribution incentive pay . . . . .	43
Recommendations . . . . .	44
Review of policy options . . . . .	44
Pursue HDP-T. . . . .	45
<b>Conclusions</b> . . . . .	47
<b>Appendix: Detailed enlisted military personnel budget data</b> . .	49
<b>References</b> . . . . .	55
<b>List of figures</b> . . . . .	57
<b>List of tables</b> . . . . .	59
<b>Distribution list</b> . . . . .	61

# Introduction

Alone, alone, all, all alone,  
Alone on a wide wide sea!<sup>1</sup>

It has long been recognized that the time away from home often associated with military service can be burdensome to personnel and their families. Resulting hardships, including family separation, increased operational tempo, and unpleasant or dangerous working conditions, can create significant workload, manning, and, ultimately, retention problems.

Although the military offers no explicit deployment pay to date, a variety of military pays historically have been used to compensate for the hardships associated with time away from home. Career Sea Pay and the Career Sea Pay Premium, Submarine Duty Pay, Family Separation Allowances, Overseas Tour Extension Incentive Pay, Hardship Duty Pay, and Hostile Fire/Imminent Danger Pay have been used to achieve this objective. But the use of this patchwork of pays has created several counterintuitive outcomes and perceived inequities. For example, single people do not receive Family Separation Allowances, and Imminent Danger Pay is sometimes granted in areas where conditions may be arduous rather than dangerous.

The 9<sup>th</sup> Quadrennial Review of Military Compensation (QRMC) is seeking ways to better structure military compensation to alleviate current recruiting, manning, and retention shortfalls. Structured correctly, basic pay and special pays should provide incentives to stay in the military, to gain experience and skills valuable to the services, and to move into critical skill areas or jobs where they are most needed. No existing pays fully answer the need to provide incentives to take on jobs that require serving alone, away from home. For this reason, the 9th QRMC is considering the creation of a new pay that would

---

1. Samuel Taylor Coleridge, *The Rime of the Ancient Mariner*. Part iv.

compensate service members for the hardships associated with deployments.

The difficulty in creating such a pay, however, is establishing consistent definitions and measures of many of the key concepts related to time away from home. Relevant issues include:

- Identifying the goal of any new deployment pay and the hardships for which people should be compensated
- Defining deployments and time away
- Developing a deployment pay structure.

Taken together or separately, these definitional and conceptual issues must be considered when determining the structure or use of a new pay and how it would relate to existing military pays.

In a companion paper, we examine in detail the largest "away" pay, sea pay [1]. Here we summarize that paper's conclusions regarding sea pay and examine several of the other special and incentive pays that historically have been used to compensate people for hardships associated with deployments. We then examine the availability of these pays to date and assess the adequacy of these pays in meeting the military's goals. Finally, we conclude by outlining policy options and recommending compensation changes that would better align existing pays with any newly created pays and with the military's primary goals and objectives.

## Definitions and key concepts

Before examining the array of existing military pays sometimes used to compensate service members for deployments, we consider a variety of definitional and conceptual issues, such as the following:

- Identifying the goal of any new deployment pay and the hardships for which people should be compensated
- Defining deployments and time away
- Developing a deployment pay structure.

### Identifying goals and hardships

The goal of any new deployment pay would be to complement existing pays by recognizing the unique demands of military service. To achieve this goal, however, the services must agree on and clearly identify the hardships for which they want to compensate. For example, is operational deployment itself a hardship, or are the real hardships those associated with family separation, overseas duty, the incidence of deployments, the duration of deployments, the unanticipated nature of deployments, or the unpleasant or dangerous nature of work done while on deployments? These considerations will affect both the definition of deployment selected and the measures developed to account for time deployed.

Any new deployment pay also should be designed to account for changes in missions and operations that have resulted from the end of the Cold War. One reason to broaden the traditional definition of deployment is that personnel in today's New World Order don't always experience more time away.



## Recognition pays or compensating differentials?

One type of Special and Incentive pay is a *recognition pay* for hazardous or unpleasant duty. Examples of recognition pays are Parachute Duty Pay, Toxic Fuel Exposure Pay, and Flight Deck Pay. For most of these, the goal is to recognize the danger, difficulty, or unpleasantness of the job by providing some token monetary compensation. The military makes no attempt to tie the amount of pay to market conditions, readiness, or performance measures, and there are usually no clear criteria for changes in the pays unless it is to keep pace with inflation.

*Compensating differentials* in economic literature are market-established pay differentials that are enough, on the margin, to attract people into dangerous, difficult, or unpleasant jobs [2]. The size of compensating differentials changes if the demand for the work or the supply of people willing to undertake the work changes. Although military recognition pays exist where civilian labor markets might generate compensating differentials, there is usually no intent or effort to size the pay to equate supply and demand.

One example is the Hardship Duty Pay-Location (HDP-L), a pay that began in 2001.<sup>2</sup> This pay ranges from \$50 to \$150 per month, to reflect the relative hardship of different locations. State and Defense Department surveys evaluate hardships, taking into account many factors having to do with physical environment, living conditions, and personal security. There is no intent, however, to set the pay at levels that would induce enough people to volunteer for each location.

One difficulty with setting pay levels based on surveys or other assessments of the level of hardship is the variability of people's tastes and willingness to endure various working conditions. Being away from home may be a hardship to some, whereas those who joined the military for adventure may consider it a benefit. If more pay is granted, however, based on how much hardship is endured, it's difficult to elicit unbiased evaluations of working conditions.

Other work being done for the 9th QRMC suggests that the services consider moving away from hardship recognition pays set at arbitrary

---

2. We describe this pay in more detail later in this paper.

levels and toward compensating differentials tied to readiness-related factors. The readiness-related factors could include job performance measures or keeping critical billets filled [3].

## Defining deployments

If we accept that people should be compensated for deployments, we must also consider how to delineate deployed time.

Today *deployment* refers loosely to time spent away from home. The strict definition of the term and the services' historical interpretation, however, differ considerably from this general usage.

The *DoD Dictionary of Military Terms* defines deployment four ways:

1. In naval usage, the change from a cruising approach or contact disposition to a disposition for battle
2. The movement of forces within areas of operation
3. The positioning of forces into a formation for battle
4. The relocation of forces and material to desired areas of operations.

Deployment encompasses all activities from origin or home station through destination, specifically including intracontinental United States, intertheater, and intratheater movement legs, staging, and holding areas.<sup>3</sup>

In addition to this official notion of deployment, the services' historical interpretation of the term also included a duration-related component.<sup>4</sup> This arose from recognized differences in the services' missions, equipment, and operating procedures. Navy deployments required that a unit be away from its home port for at least 56 days. Marine Corps deployments were defined as 10 or more days away from the home station. The Army counted 7 days or more away from home base as a deployment. Finally, the Air Force counted 1 day or

---

3. <http://www.dtic.mil/doctrine/jel/doddict/>.

4. Material in this section comes from [4] and [5].

more of away time as a deployment because of its ability to accomplish flight missions in a single day by flying out and back.

Given these working definitions, each of the services had also established official policies or conventions determining acceptable deployment lengths (and, in the case of the Navy and the Marine Corps, an optimal pace of deployments). A Navy policy limits a ship's deployment to 6 months, with at least twice as much time spent back in home port before the ship's next deployment. A model Marine Corps deployment is usually thought to be an entire unit going on a 6-month unaccompanied tour, either OCONUS or on a ship. As with the Navy, at least twice as much post-deployment time is spent at the home station before another deployment can occur. Although neither the Army nor the Air Force had official policies in place limiting deployment lengths, the Army tried to avoid single deployments of over 6 months and the Air Force tried to avoid assigning Airmen away from home for more than 3 months annually.

These traditional interpretations of deployment were reexamined when the 2000 National Defense Authorization Acts (NDAA) mandated that the services begin to track and report how many days each service member spends deployed. The law first defined *Personnel Tempo (PERSTEMPO)* as:

the amount of time members of the armed forces are engaged in their official duties, including official duties at a location or under circumstances that make it infeasible for a member to spend off-duty time in the housing in which the member resides when on garrison duty at the member's PDS [permanent duty station].

It then separates PERSTEMPO into deployed and nondeployed events. A deployed event is:

any day on which pursuant to orders the member is *performing service in a training exercise or operation* at a location or under circumstances that make it impossible or infeasible for the member to spend off-duty time in the housing in which the member resides when on garrison duty at the member's PDS or homeport.<sup>5</sup>

---

5. This definition was established in U.S. Code, Title 10, Section 991.

A service member is not deployed if he or she is performing service as a student or trainee at a school or performing administrative, shift work, guard, or detail duties in garrison at the member's PDS.

Congress also required that any person deployed more than 400 days in the previous 2 years receive \$100 per day for each additional deployment day [6]. Officials called the plan the PERSTEMPO Program, and the new pay is referred to variously as Burdensome Tempo Pay (BTP), High Deployment Per Diem, or Individual Tempo (ITEMPO) pay. As implemented, those with a deployment PERSTEMPO event will accrue high-deployment days. Even 1 day away from home adds to the counter, and deployments need not be of a certain length to qualify.<sup>6</sup> Deployment PERSTEMPO events, all of which include temporary duty assignments, are:

- Operations
- Named exercises
- Unit training
- Home station training in a field environment or in the local operating area of a ship or vessel
- Mission support temporary duty assignments such as meetings, conferences, staff visits, and staff augmentation.

Nondeployment PERSTEMPO events, which don't count toward the per diem, include individual training and schools (including temporary duty assignments), duty (such as guard duty within the garrison or home port), hospitalization, discipline, muster duty, and funeral honors duty.

This broader definition of deployment serves as a better approximation of time away from home than the historical meaning of the term because it encompasses the away time that is frequently associated with military service, such as absences due to temporary duty assignments, cross-decking, and short-term missions. Throughout this

---

6. This pay was recently suspended because of the military action in Afghanistan. See [7].

paper, when we use the terms deployment or deployed time, we will refer to this broader definition—that is, any days away from home when performing service in a training exercise or operation.

Another issue in defining time away from home is identifying what constitutes home. People may consider their homes to be somewhere other than their units' home bases or their places of legal residence. For example, a nuclear family may be left at a previous location and families of origin or in-laws may live in other locations. Official residences may not be where a member feels at home if they are chosen for tax purposes or as a future retirement home. In some cases, a deployment or temporary assignment away from home base may actually move an individual closer to loved ones. Whether and how all these nuances can be fully incorporated into a pay element isn't clear.

## **Developing a deployment pay structure**

After identifying deployment time and developing measures to account for this time, one needs to consider the structure of deployment pay.

### **Length of time away**

Several structural elements warrant examination. For example, at what point in time does hardship become onerous enough to require extra compensation? Should a deployment pay include stepwise increases as time away lengthens? If law establishing a deployment pay allows—but does not mandate—graduated pay rates, the services could decide this question themselves and even change the trigger points as service needs and member preferences evolve.

Should the accumulation of all deployed days matter (so that multiple short spells away count the same as fewer, more lengthy spells), or should a deployment pay reward frequent deployments and lengthy deployments differently? In some cases, the higher pace of operations associated with shorter, more frequent absences could pose a greater hardship than with longer, less frequent absences if the trips are numerous and their timing is unpredictable.

Another option is not to base the pay on days deployed, but to use a proxy, such as assignment to a sea-duty billet. The DoN's sea pay is paid for an entire sea tour, which typically includes at least one 6-month deployment, other short spells away from homeport, and time spent in homeport. Thus, sea pay is not just a deployment pay, but uses a sea tour as a proxy for an assignment in which a significant amount of time is spent deployed. This alleviates the need to count days, but prevents using a graduated scale.

### **Planned vs. unplanned absences**

Should the pay also give different rewards for unexpected deployments? Unplanned spells away from home probably impose greater hardships than deployments that are announced in time to allow advance planning. The Air Force's idea of placing certain units on-call might require a pay that compensates personnel for uncertainty, regardless of actual time deployed.<sup>7</sup>

### **The role of dependency status**

Under current military policies, service members must have dependents and be subject to an enforced family separation—that is, an assignment to which they are not allowed to bring dependents—in order to receive the Family Separation Allowance. For someone with a spouse, children, or other dependents, the hardships of being away from home are obvious and the enforced separation is easily identifiable. But single members on deployments also experience hardships, including those associated with separation from loved ones, paying bills, arranging pet care, breaking leases, and storing autos and other possessions. In addition, some hardships of deployments, such as danger and arduous working conditions, are the same whether a person is single or married. Ensuring perceived equity should include consideration of the way in which these allowances are disbursed.

---

7. In the private sector, this is often called “sleeper” or “standby” pay, which is separate from “call-in” pay received when an employee is actually called to perform work.

## Pays used to compensate for deployment-related hardships

Although an explicit military deployment pay does not currently exist, a variety of existing pays historically have been used to compensate for hardships associated with deployments (see table 1).<sup>8</sup> In this section, we describe these pays and examine their prevalence and use to date. Because they aren't, strictly speaking, deployment pays, we refer to them as "away pays."

### Career Sea Pay (CSP)

Career Sea Pay (CSP or sea pay)—one of the military's oldest special pays—is perhaps most similar in nature to a deployment pay.<sup>9</sup> Most eligible service members, however, receive sea pay over their entire sea duty tour, not just when deployed. Anybody meeting the criteria for sea pay may receive it, but it is paid primarily to Sailors on naval sea duty. The current rationale underlying sea pay is that it serves as a distribution and retention tool, increases fleet readiness, and compensates for the inherent hardships of all phases of sea duty.

According to U.S. Code, Title 37, Section 305a, sea duty qualifying for sea pay is duty performed by a service member while permanently or temporarily assigned to a ship, the primary mission of which is accomplished while under way, or

- 
8. Table 1 describes what each pay is for, who receives it, what the typical amount is, and its FY01 budget for all services. The table entries are brief and may leave out many of the nuances regarding who qualifies for a pay and how it's paid. Also, it concentrates on the enlisted force. Please see the text of this section for full details and information on officers.
  9. For a complete discussion of the history of sea pay and its effectiveness as a distribution and retention tool, see [1].

Table 1. Summary of existing away pays

Pay	Paid for	Amount	Varies with	Other restrictions	FY01 budget (\$M) <sup>a</sup>
Career Sea Pay <sup>b</sup>	Assignment to ship	\$50-\$520/month, avg. \$200 for E-6	Paygrade and cumulative sea duty	Paygrade E-4 and above	216 combined
Career Sea Pay Premium <sup>c</sup>	Extensions at sea beyond 36 months	\$100/month	Fixed	Paid to E-4s and a few E-5 and above	
Submarine Duty Pay	Operational sub duty for lower PGs, sub qualification for higher PGs	\$75-\$355/month, avg. \$230 for E-6	Paygrade and years of sub service		46
Family Separation Allowance	Enforced family separations	\$100/month prorated daily	Fixed	Must have spouse and/or dependents, be away > 30 days	84
Hostile Fire/Imminent Danger Pay	Subjected to hostile fire or hostile mine	\$150/month	Fixed	IDP plus HDP-L shouldn't exceed \$250/month	28
Hardship Duty Pay - Mission	Designated hardship mission, e.g., POW remains recovery	\$150/month	Fixed		26 combined
Hardship Duty Pay - Location	Poor living conditions	\$50-\$150/month	Severity of hardships	OCONUS locations <sup>d</sup>	
Overseas Tour Extension Incentive Pay	Extending OCONUS tour at least 1 year	\$80/month or extra leave <sup>e</sup>	Fixed	Paid to specific MOSs	5
Combat Zone Tax Exclusion	Serving in designated combat zone	Taxes on basic and some special pays	Income level	Officer income exclusions have upper limits	N/A
Burdensome Tempo Pay	Days deployed in excess of 400/730	\$100/day	Fixed		0 for 2001

a. The amounts are in millions of dollars and are enlisted military personnel appropriations only.

b. These amounts and restrictions were in effect before 1 October 2001. See the CSP section for a description of changes since that time.

c. These amounts and restrictions were in effect before 1 October 2001. See the CSPP section for a description of changes since that time.

d. Permanent duty assignments collect pay from first day. TAD/TDY must be there at least 30 days; then they get pay retroactively.

e. Some locations and MOSs qualify for \$2,000 lump sum payments.



- While serving as a member of the off-crew of a two-crew submarine; or
- While serving as a member of a tender-class ship (with the hull classification of submarine or destroyer); or
- While permanently or temporarily assigned to a ship and while serving on a ship, the primary mission of which is normally accomplished while in port, but only when the ship is away from its home port (which it defines as (a) at sea or (b) in a port that is more than 50 miles from its home port); or
- While permanently or temporarily assigned to a ship-based staff or other unit (at the discretion of the Secretariat).

In general, crews on deploying ships and submarines are eligible for continuous sea pay, whereas Sailors in squadrons and ship-based staffs can only receive sea pay while deployed at sea.

Before 1 October 2001, the amount of CSP service members received varied between \$50 and \$520 per month and was based on rank and years of cumulative sea duty. Enlisted received \$50 to \$520 monthly, warrant officers received \$130 to \$500 monthly, and officers received \$150 to \$380 monthly. Those below paygrade E-4 and officers with less than 3 years of cumulative sea duty were not eligible for CSP. Table 2 shows CSP amounts previously payable to enlisted personnel.

It is estimated that the Navy (which makes the majority of all sea pay expenditures) spent about \$211.3 million on sea pay in FY01. Almost 95 percent of these expenditures went to enlisted Sailors, with the balance going to warrant officers and commissioned officers.

Although rates for sea pay were previously set in Title 37, Section 305a, of the U.S. Code, the FY01 NDAA changed this practice. Instead of requiring congressional action, rates can now be set—within prescribed boundaries—by the service secretaries. The maximum allowable sea pay rate has been initially set at \$750.

Effective 1 October 2001, the Navy fundamentally restructured its sea pay program. Under this reform measure (referred to as enhanced sea pay), existing CSP rates increased (the top rate is now \$700 per month) and CSP was extended to E-1-E-3 enlisted and officers with

less than 3 years of sea duty. Table 3 reports CSP amounts currently available to enlisted service members under enhanced sea pay.

Table 2. Enlisted monthly CSP by paygrade, effective 1 July 2000

Cumulative years of sea duty	CSP by paygrade (\$)				
	E-4	E-5	E-6	E-7 and E-8	E-9
1 year or less	50	50	100	100	100
Over 1 year	60	60	100	100	100
Over 2 years	120	120	120	120	120
Over 3 years	150	150	150	175	175
Over 4 years	160	170	170	190	190
Over 5 years	160	315	315	350	350
Over 6 years	160	325	325	350	350
Over 7 years	160	350	350	375	375
Over 8 years	160	350	350	390	390
Over 9 years	160	350	365	400	400
Over 10 years	160	350	365	400	400
Over 11 years	160	350	365	410	410
Over 12 years	160	350	380	420	420
Over 13 years	160	350	395	450	450
Over 14 years	160	350	410	475	475
Over 16 years	160	350	425	500	520
Over 20 years	160	350	425	500	520

## Career Sea Pay Premium (CSPP)

Established in 1981, the Career Sea Pay Premium (CSPP) was created as a means of encouraging sea duty extensions and rewarding lengthy sea tours.

Before 1 October 2001, the CSPP was payable for 36 or more consecutive months of sea duty, and was available to all enlisted Sailors in paygrade E-4 and Sailors in paygrades E-5 and above with less than 5 years of cumulative sea duty. All warrant officers and commissioned officers who qualified for CSP were also eligible for the CSPP. The CSPP rate was fixed at \$100 a month.

Table 3. Enlisted monthly CSP for paygrades E-1 through E-9, effective 1 October 2001

Cumulative years of sea duty	CSP by paygrade (\$)								
	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9
1 year or less	50	50	50	70	70	135	135	135	135
Over 1 year	50	60	60	80	80	135	135	135	135
Over 2 years	50	75	100	160	160	160	160	160	160
Over 3 years	50	75	100	280	280	280	305	305	305
Over 4 years	50	75	100	290	300	300	320	320	320
Over 5 years	50	75	100	290	315	315	350	350	350
Over 6 years	50	75	100	290	325	325	350	350	350
Over 7 years	50	75	100	290	350	350	375	375	375
Over 8 years	50	75	100	390	450	450	490	490	490
Over 9 years	50	75	100	390	450	460	500	500	500
Over 10 years	50	75	100	390	450	465	500	500	500
Over 11 years	50	75	100	390	450	465	510	510	510
Over 12 years	50	75	100	390	450	480	520	520	520
Over 13 years	50	75	100	390	450	495	550	550	550
Over 14 years	50	75	100	390	450	510	575	575	575
Over 16 years	50	75	100	390	450	525	600	600	620
Over 18 years						550	600	620	620
Over 20 years	50	75	100	390	450				

The Navy spent an estimated \$15.5 million on CSPP—91 percent of which went to enlisted Sailors—in FY01.

As described above, legislative changes made through the FY01 NDAA allowed the service secretaries to determine CSPP rates. The maximum allowable CSPP rate has been initially set at \$350.

Effective 1 October 2001, CSPP rules changed as part of enhanced sea pay. Although the payment is still fixed at \$100 a month, qualifying enlisted E5-E9 personnel now receive CSPP as a separate payment through the seventh year of sea duty. With over 8 years of sea duty, the premium is embedded into the E5-E9 CSP table and is not contingent on consecutive time at sea.

Enhanced sea pay (which includes the CSP increase and changed rules for CSPP) is anticipated to increase enlisted Navy sea pay costs by \$93 million annually [1]. These changes imply a substantial

increase in the amount of sea pays available to service members serving aboard ships and submarines. For example, using data on average sea tour lengths and conservative assumptions on promotion rates, [8] estimates that an MS could earn an additional \$10,420 (in unadjusted current dollars) over a 20-year career.

## Submarine Duty Pay (SDP)

Authorized under U.S. Code, Title 37, Section 301c, Submarine Duty Pay (SDP) is designed to attract and retain volunteers for submarine duty on a career basis. Two types of SDP are offered—continuous and operational.

Active-duty members with less than required minimum amounts of submarine service receive operational SDP if they frequently perform regular operational submarine duty. Service members earn operational SDP on a prorated, day-for-day basis for any period of time in which they are attached under orders to operational submarine duty, whether temporarily or permanently. Both the Blue and Gold crews of ballistic missile submarines get operational SDP.

Continuous monthly SDP is given to active-duty naval officers and enlisted personnel through 26 years of service who hold a submarine duty designator and remain in the submarine service on a career basis. This pay is given to career submarine personnel with 12 to 18 years of submarine service, regardless of whether their current assignment is to an operational submarine. Members are entitled to this pay, however, only if they performed a minimum amount of operational submarine duty over earlier years of submarine service. The minimums are either 6 of the first 12 or 10 of the first 18 years of submarine service.<sup>10</sup> Someone who fails to meet these minimums loses his or her entitlement to continuous SDP, but may still qualify for operational SDP.

In practice, all personnel assigned to operational submarines receive incentive pay during their assignment. In addition, career submarine personnel (at least 12 years of submarine service) with enough

---

10. Continuous SDP can be paid for the first 22 vice 28 years of service, if somewhat less time is spent in operational duty over the first 18 years.

cumulative operational duty (at least 6 years) get continuous SDP regardless of their assignment. From this description, it is clear that operational SDP compensates for duty that requires deployed time, but continuous SDP will be received regardless of whether a member is in an operational, deployed position. For our purposes, it would be ideal to separate out the deployment-related portion of this pay, but neither the budget nor the JUMPS data available are detailed enough to make this possible.

Current enlisted SDP rates vary by paygrade and years of submarine service from \$75 monthly for E1s to \$355 monthly for E9s. Officer SDP rates also vary by rank and years of service, from \$175 monthly for an O-1 new to submarine service to a maximum of \$595 for most O-3s and O-6s, then back down to \$355 for O-7s to O-10s.

## **Family Separation Allowance (FSA)**

Authorized under Title 37, Section 427, of the U.S. Code, the Family Separation Allowance (FSA) compensates service members with dependents for additional expenses incurred because of an enforced family separation of over 30 consecutive days.<sup>11</sup> The allowance is payable to qualified people serving either inside or outside the United States, but is not authorized when under permissive orders.

FSA has three subcategories.<sup>12</sup>

- 
11. Effective 23 September 1996, service member couples with no other dependents are entitled to FSA, provided the couple resided together immediately before being separated by reason of execution of military orders. Not more than one monthly allowance may be paid with respect to a married military couple for any month. Each may be entitled to FSA within the same month, but both cannot be simultaneously entitled. Payment will be made to the person whose orders resulted in the separation. If both service members receive orders requiring departure on the same day, payment will go to whoever is senior.
  12. Although a service member may qualify for more than one type of FSA in any given period, he or she may not receive more than one FSA payment for that period. Previously, the FSA described here was named FSA-II.

- **FSA-R** is authorized when someone is transferred to a restricted station where transportation of dependents is not authorized at government expense and the dependents do not live at or near the service member's permanent duty station (PDS) or home port.
- **FSA-S** is authorized when someone is on duty aboard a ship that is away from its home port continuously for more than 30 days.<sup>13</sup> Effective 20 June 1994, a service member is also entitled to continuous FSA-S if he or she returns home from an initial deployment for a period of 30 days or less and then deploys again for a period of more than 30 days.
- **FSA-T** is authorized when someone is on temporary duty (TDY) or temporary additional duty (TAD) away from the PDS, including TDY/TAD aboard ship, continuously for more than 30 days, and their dependents do not reside at or near the TDY/TAD station. This includes people who are required to perform a period of TDY before reporting to their initial station of assignment. Effective 20 June 1994, a service member is entitled to continuous FSA-T if he or she returns home from an initial deployment for a period of 30 days or less and then deploys again for a period of more than 30 days.

Before 1 October 1980, FSA was payable only to enlisted in paygrades E-4 (over 4 years service) and above with dependents. After that date, FSA became payable to all enlisted with dependents. On 23 September 1996, FSA also became payable on behalf of active duty spouses.

FSA, which was \$60 per month from 1 October 1985 to 14 January 1991, and \$75 per month from 15 January 1991 to 1 January 1998, now stands at \$100 per month and is prorated daily.

---

13. Between 1 December 1994 and 9 February 1996, dependents were required to live in the vicinity of the home port or PDS. This requirement was lifted as of 10 February 1996.

## Hostile Fire/Imminent Danger Pay (HF/IDP)

Hostile Fire/Imminent Danger Pay (HF/IDP) is authorized under Title 37, Section 310, of the U.S. Code. A service member is entitled to HF/IDP for a month during any part of which he or she is:

- Subjected to hostile fire or explosion of a hostile mine
- On duty in an area close to a hostile fire incident and the service member is in danger of being exposed to the same dangers actually experienced by other service members subjected to hostile fire or explosion of hostile mines
- Killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action.
- On official duty in a designated IDP area.

In the wake of the terrorist actions of 11 September 2001, the pay was recently extended to individuals at the Pentagon or at the World Trade Centers during the attacks. HF pay was made available for the month of September—those hospitalized with injuries can receive the pay for up to 3 additional months or for the period of hospitalization, whichever is less [9].

From 1 October 1985 through 31 July 1990, the monthly HF/IDP rate was \$110.00. This rate was increased to its current amount of \$150.00 as of 1 August 1990.

In practice, most HF/IDP goes to personnel serving overseas in areas where terrorism or wartime conditions pose a threat. There should be some indication of impending danger, not just a foe with a theoretical capability.

Although no law requires that HDP-L and HF/IDP locations be distinct, areas were originally designated in this way. New HF/IDP zones created in response to the 11 September 2001 attacks, however, encompass areas of Central Asia and the Middle East that are also still eligible for HDP-L pay. In these areas, the HDP-L amount recently was reduced below the maximum amount allowable [10].

## Hardship Duty Pay (HDP)

As its name indicates, Hardship Duty Pay—which replaces the former Foreign Duty Pay or Certain Places Pay—is designed to compensate for hardships associated with location or mission. Authorized under Title 37, Section 305, of the U.S. Code, HDP is in this respect similar in purpose to the arduous duty concept underlying sea pay.

The two types of HDP are HDP-Mission (HDP-M) and HDP-Location (HDP-L). The total of the two pays cannot exceed \$300 per month.

### HDP-M

Created in FY99, HDP-M is payable to service members—either officer or enlisted—who perform a designated hardship mission. Currently, this pay is available only to people assigned to, on temporary duty with, or otherwise under the Defense Prisoner of War/Missing Personnel Office, the Operational Control of the Joint Task Force-Full Accounting, or the Central Identification Lab-Hawaii, which perform investigative duty or recover U.S. service members' remains in remote, isolated areas. HDP-M designated areas include Laos, Cambodia, Vietnam, and North Korea.

The FY01 HDP-M pay rate for all grades is \$150.<sup>14</sup> HDP-M is payable for each month, during any part of which the service member serves in the designated hardship area.

### HDP-L

Implemented in January 2001, the current HDP-L replaced Certain Places Pay (CPP) or Foreign Duty Pay (FDP). The 2001 change included substantial modification of eligibility criteria and rates.

Authorized under Title 37, Section 305, of the U.S. Code, HDP-L is available to all service members—not just enlisted, as was the case with its predecessor pays—in land or ice shelf areas outside the

---

14. Defense Finance and Accounting Service, *2000 Military Pay Rates, Complete Active Duty and Reserve Monthly Pay Tables* (including Special Pay). <http://www.dfas.mil/money/milpay/pay>.



contiguous United States where living conditions are deemed to be substantially below the standard of service assignment areas within the contiguous United States. The criteria for HDP-L designation include hardship associated with the physical environment (including physical isolation, climate, and social isolation), living conditions (including sanitation and disease, medical and hospital facilities, housing, food, recreational facilities, and community facilities), and personal security and related factors (including political violence, crime, and political harassment).

Initial hardship locations mirror those that the U.S. State Department has designated as eligible for the Hardship Differential for Federal Civilian Employees. Defense Department designations differ from State Departments in areas eligible for Imminent Danger Pay or when:

- Military location/living conditions differ from those for state department civilians,
- The military location has no state department presence.

In these areas, local commanding officers assess these factors using the DoD Hardship Location Assessment Questionnaire.

Service members permanently reassigned to a designated HDP-L area are eligible for HDP-L from their day of arrival. Those assigned temporary duty in an HDP-L area are not eligible for the pay for the first 30 days, but receive the pay retroactively after that period [11]. Unlike its earlier incarnations, HDP-L is also available to those receiving sea pay. FY01 HDP-L pay rates vary by the severity of the location's hardships and are set at \$50, \$100, or \$150 per month, which is significantly above the \$8 to \$22.50 per month previously available.

## **Overseas Tour Extension Incentive Pay (OTEIP)**

Begun in 1981, the Overseas Tour Extension Incentive Pay (OTEIP) program is a monthly incentive offered to enlisted soldiers in specific military occupational specialties (MOSs) who extend their current OCONUS tour for at least 1 year. Authorized under Title 37, Section 314, and Title 10, Section 705, of the U.S. Code and reviewed yearly,

the program is designed to improve personnel retention, enhance readiness, and increase stabilization and turnaround time between OCONUS assignments. The OTEIP program is used as a distribution tool for either short-term or hard-to-fill OCONUS assignments and, consequently, reduces PCS expenditures.

Service members are eligible for the OTEIP program if they:

- Are enlisted and entitled to basic pay
- Possess a specialty and skill that is on the current OTEIP MOS list
- Have completed a tour of duty at a location outside the 48 contiguous states and the District of Columbia that qualifies them for the OTEIP program
- Execute an agreement to extend the foreign service tour for at least 1 year.

Through the program, eligible service members may choose one of the following entitlements:

- Special pay of \$80 per month for the length of the extension
- 30 days consecutive non-chargeable leave
- 15 days consecutive non-chargeable leave and round-trip transportation to CONUS and return for the soldier only
- \$2,000 in one lump sum (limited to Korea and other OCONUS shortage MOSs).

## **Combat Zone Tax Exclusion (CZTE)**

CZTE, as enacted in Title 26, Section 112, of the U.S. Code, allows military personnel who serve in a qualified combat zone<sup>15</sup> to exclude

---

15. A combat zone is any area the U.S. President designates by Executive Order as an area in which the U.S. Armed Forces are engaging or have engaged in combat. An area usually becomes and ceases to be a combat zone on the dates the President designates by Executive Order.

certain pay from their income for tax purposes.<sup>16</sup> A service member is entitled to CZTE if he or she served in the combat zone or was hospitalized as a result of wounds, disease, or injury incurred while serving in the combat zone.<sup>17</sup> If a service member serves in a combat zone for 1 or more days during a particular month, he or she is entitled to an exclusion for that entire month. If, as a result of serving in a combat zone, a person becomes a prisoner of war or is missing in action, that person is considered to be serving in the combat zone.

Several types of military service do not qualify as service in a combat zone. These include:

- Presence in a combat zone while on leave from a duty station located outside the combat zone
- Passage over or through a combat zone in a non-duty status during a trip between two points that are outside a combat zone
- Presence in a combat zone solely for personal convenience.

In practice, CZTE is applied over carefully delineated geographic regions and periods of time. It is meant to be a supplement to HF/IDP when conditions are even more dangerous and to eliminate the need to file tax returns when operating under combat conditions. In the past, Korea and Vietnam received CZTE. Since 1991, CZTE has been applied to the Persian Gulf area, including the Red Sea, the Gulf of Oman, portions of the Arabian Sea and the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

---

16. [http://www.irs.ustreas.gov/plain/forms\\_pubs/pubs/p303.htm](http://www.irs.ustreas.gov/plain/forms_pubs/pubs/p303.htm) and <http://uscode.house.gov/usc.htm>, search for Title 26, Section 112.

17. The exclusion of military pay while hospitalized does not apply to any month that begins more than 2 years after the end of combat activities in that combat zone. Service in a combat zone includes periods during which someone is absent from duty because of sickness, wounds, or leave. Certain types of military service outside a combat zone also qualify as service performed in a combat zone. These include service in direct support of military operations in the combat zone; service qualifying the service member for HF/IDP if other CZTE requirements are met; and service for which you get HF/IDP if the basis for getting HF/IDP is danger or risk in the combat zone.

Congress has, however, added some areas with peacekeeping operations to the list of CZTE-eligible areas: Bosnia and Herzegovina, Croatia, and Macedonia in 1995, and the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and the Northern Ionian Sea in 1999. In response to the 11 September 2001 attacks, the addition of more areas is currently under consideration [12].

## **Exclusion amounts**

Enlisted personnel and warrant officers can exclude the following amounts from their income:

- Active duty pay earned in any month served in a combat zone.
- HF/IDP
- A reenlistment bonus if the voluntary extension or reenlistment occurs in a month in which the service member served in a combat zone.
- Pay for accrued leave earned in any month in which the service member served in a combat zone.
- Pay received for duties as a member of the Armed Forces in clubs, messes, post and station theaters, and other nonappropriated fund activities. The pay must be earned in a month served in a combat zone.
- Awards for suggestions, inventions, or scientific achievements to which the service member is entitled because of a submission made in a month he/she served in a combat zone.
- Student loan repayments that are attributable to a service member's period of service in a combat zone (provided a full year's service is performed to earn the repayment).

Officers can also exclude these amounts from military pay; however, the exclusion is limited to the maximum enlisted pay plus the amount of HF/IDP received.

## **Combat Zone/Military Action Forgiveness**

If someone dies while on active service in a combat zone—from wounds, disease, or other injury received in a combat zone, or as a result of military action—the decedent's entire income tax liability is forgiven for the year in which the death occurred, and for any prior taxable year the member served in the combat zone. Any forgiven tax liability that has been paid will be refunded, and any unpaid tax liability at the date of death will be forgiven. In addition, any unpaid taxes for prior years will be forgiven and any prior year taxes that are paid after date of death will be refunded. The forgiveness provision also applies to people serving outside the combat zone if they meet the necessary eligibility criteria.

## **Burdensome Tempo Pay (BTP)**

Outlined in Title 37, Section 435, of the U.S. Code, Burdensome Tempo Pay (BTP), also called High Deployment Per Diem or Individual Tempo (ITEMPO) pay, was passed by Congress to create a strong incentive for the services not to overwork their troops.

First created in the FY00 NDAA, BTP was initially required for service members deployed for more than 250 out of 365 days. By law, these people would receive an additional \$100 a day while still deployed. The legislation also required that each person's deployment days be individually tracked as of 1 October 2000. "Gates" that required flag approval at 182 and 220 deployment days out of 365 were put into place to ensure adequate deployment management.

As discussed earlier in this paper, for the purposes of the legislation, a day of deployment was defined as

any day on which pursuant to orders the member is performing service in a training exercise or operation at a location or under circumstances that make it impossible or infeasible for the member to spend off-duty time in the housing in which the member resides when on garrison duty at the member's PDS.<sup>18</sup>

---

18. This definition comes from Title 10, Section 991, of the U.S. Code.

This definition included temporary duty assignments in support of command administration and functions. Exceptions were days spent in school or watchstanding at one's PDS.

The FY01 NDAA modified these BTP conditions. It broadened the definition of a day of deployment to include days after a vessel leaves its home port. It also defined deployment for reservists, and added exemptions for those hospitalized in the vicinity of their PDS, home port, or permanent residence and those subject to disciplinary action. Under the new law, members are entitled to receive an additional \$100 a day for deployment days in excess of 400 out of 730 days. In August 2001, the House Armed Services Committee added a provision in its version of the 2002 defense authorization bill specifying that the special pay would be paid out of the Operation & Maintenance budget for the specific service of the eligible individual [13].

These matters were put on hold as a result of the conflict in Afghanistan. On 8 October 2001, Deputy Defense Secretary Paul Wolfowitz invoked the "national security waiver" authorized in the initial law, which suspends the payments. When the waiver is lifted, the services will resume counting people's deployed days where they left off [14].

## Other pays

Several other pays could be used as compensation for being deployed, but they are used primarily for other purposes:

- Most people who get Flight Deck Duty Pay also get sea pay. So, if the sea pay compensates for time away, the extra Flight Deck Duty Pay compensates mostly for the extra danger associated with working on a flight deck.
- Special Duty Assignment Pay (SDAP), may be applied to billets that require spending time away from home, in certain circumstances. However, because it is mostly used for a variety of other purposes, we chose not to include it in our analysis.
- The Army has been targeting Selective Reenlistment Bonuses (SRBs) to people who reenlist to serve in certain hard-to-fill locations. SRBs could be used to compensate personnel for serving in billets that require high amounts of deployed time, but this isn't a common justification for SRBs.

## Use of current away pays

In this section, we review the extent to which the services use existing pays that are similar to deployment pays in some way. Again, we refer to these pays as “away pays” because they aren’t, strictly speaking, deployment pays.

We use two data sources:

- FY01 budget data<sup>19</sup>
- Actual pay data from Defense Finance and Accounting Service's Joint Uniform Military Pay System (JUMPS) files compiled by RAND for the 9<sup>th</sup> QRMC [15].

### Budget data

Figure 1 shows how all the services combined allocated their FY01 enlisted personnel budget across major pay categories. The appendix contains detailed data for each of the services. The first three categories—basic pay, retirement and social security, and housing and subsistence—account for 87 percent of enlisted personnel appropriations. This varies slightly by service: Marine Corps, 89 percent; Air Force, 87 percent; Army and Navy, 86 percent.

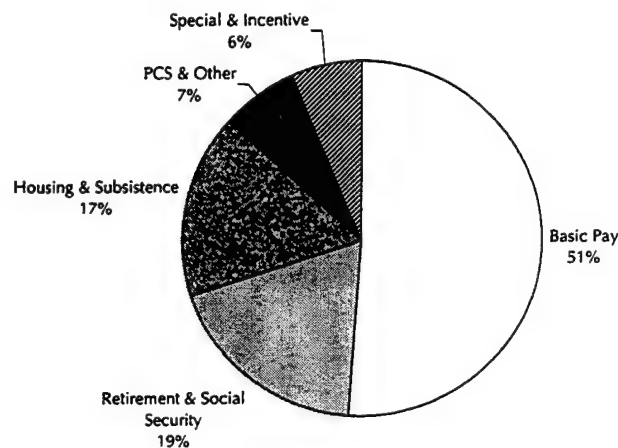
All of the away pays fall into the Incentive, Special, and Allowance (ISA) pay categories. Table 4 gives detail on all the pays in these categories and their magnitudes relative to other pay elements. All of the ISA pays together compose a small proportion of enlisted personnel budgets. ISA pays in the Army, Air Force, and Marine

---

19. Budget data were obtained from the Defense Technical Information Center web site at [http://www.dtic.mil/comptroller/fy2002budget/amendfy2002\\_m1.xls](http://www.dtic.mil/comptroller/fy2002budget/amendfy2002_m1.xls). The data are from the Amended FY 2002 President's Budget. The numbers we used are budget estimates for FY 2001, current as of June 2001.

Corps are all between 5.3 and 6.0 percent of enlisted personnel budgets, whereas the Navy uses 8.7 percent of its budget on ISA pays. The biggest differences between the Navy and the other services is in the use of sea and submarine pay and the amount available for reenlistment bonuses.

Figure 1. Components of enlisted pay, FY01 military personnel appropriations<sup>a</sup>



a. Here Retirement and Social Security combines Retired Pay Accrual and Social Security Tax Payments; Housing & Subsistence combines Basic Allowance for Housing and Subsistence; Special & Incentive combines Incentive, Hazard & Aviation Career, Special Pays, and Allowances; Other is Permanent Change of Station Travel, Separation Pay, and Other. The appendix contains more detail on the subcategories and data sources.

The pays that we have classified as related to deployment time are shown in bold in table 4. For all services combined, away pays are just under 1 percent in FY01 enlisted personnel budgets. Again, Navy is higher at 2.2 percent, and the other services are all around 0.2 to 0.4 percent. For the services as a whole, then, away pays are less than 1 percent of the enlisted personnel budget. Even for the Navy, whose Sea and Submarine Duty Pay are two of the larger deployment-related pays, existing away pays are just over 2 percent of the enlisted personnel budget.



Table 4. Enlisted Incentive, Special, and Allowance (ISA) pays (FY01 budget estimates in millions of dollars)<sup>a</sup>

	Army	Air Force	Navy	Marine Corps	All services
Uniform/Clothing Allowance	226	122	185	80	612
Reenlistment Bonus	110	142	267	57	575
Station Allowance Overseas	100	162	138	66	465
Enlistment Bonus	147	120	105	8	381
<b>Sea Duty<sup>b</sup></b>	<b>1</b>	<b>0</b>	<b>201</b>	<b>3</b>	<b>204</b>
Special Duty Assignment Pay	60	24	66	20	170
Education Benefits	121	0	28	20	170
<b>Family Separation Allowance</b>	<b>33</b>	<b>11</b>	<b>28</b>	<b>11</b>	<b>82</b>
Parachute Jump Pay	57	2	6	1	66
Flying Duty Pay	7	25	14	4	51
<b>Submarine Duty</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>0</b>	<b>47</b>
<b>Hardship Duty Pay</b>	<b>27</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>44</b>
Loan Repayment	33	0	0	0	33
Foreign Language Proficiency Pay	20	7	5	1	33
Other	3	5	21	2	32
<b>Hostile Fire Pay</b>	<b>3</b>	<b>10</b>	<b>0</b>	<b>4</b>	<b>17</b>
Diving Duty Pay	1	1	12	1	15
Demolition Pay	2	2	5	1	10
CONUS COLA	2	1	2	1	7
<b>Overseas Extension Pay</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>6</b>
Total ISAPays	957	641	1,137	285	2,904
<b>Total Away Pays</b>	<b>67</b>	<b>28</b>	<b>283</b>	<b>23</b>	<b>400</b>
All Other Pays	14,870	11,339	11,925	5,057	43,190
Total Military Personnel Budget	15,826	11,980	13,061	5,342	46,210
Percent ISA	6.0	5.4	8.7	5.3	6.5
<b>Percent Away Pays</b>	<b>0.4</b>	<b>0.2</b>	<b>2.2</b>	<b>0.4</b>	<b>0.9</b>

a. Source: These figures are all accessible from the DTIC defense budget web page, [www.dtic.mil/comptroller/fy2002budget/index.html](http://www.dtic.mil/comptroller/fy2002budget/index.html). From there, follow the links to detailed budget materials for individual services.

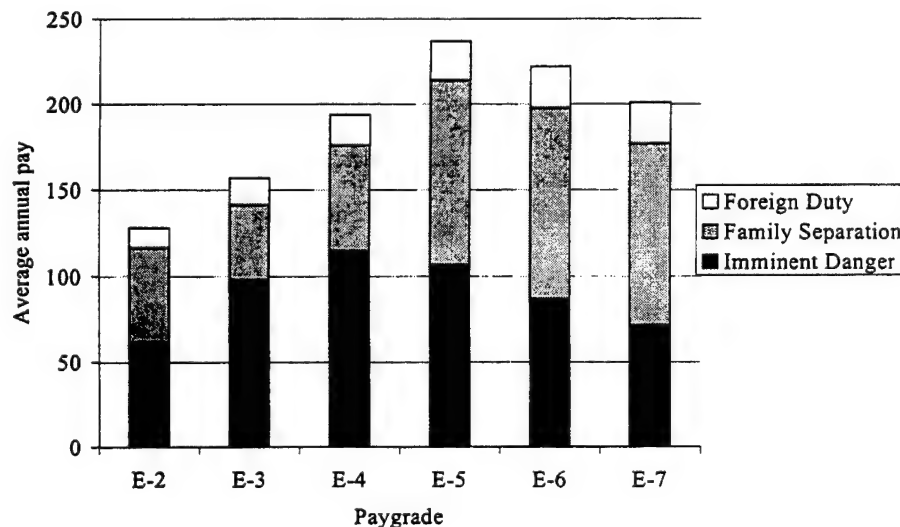
b. Bold entries identify the pays that we have classified as related to deployment time.

If away pays are to be reformed, an important issue to address is whether this small expenditure is sufficient, or whether relatively more of the military personnel budget should be spent compensating people who spend time deployed. Even just bringing the other three services up to the Navy's 2.2-percent level would require spending another \$600 million on away pays.

## Actual pay data

In this section, we use actual pay data from 1999 Defense Finance and Accounting Service's JUMPS files to illustrate differences in the types of away pays offered across the services. Figures 2 through 5 show average annual amounts of away pay by paygrade for each service.<sup>20</sup> These averages are taken over everyone in the paygrade, regardless of whether they receive away pays. Thus, the amounts in the charts reflect both how many people receive the pay and the amount each recipient is paid.

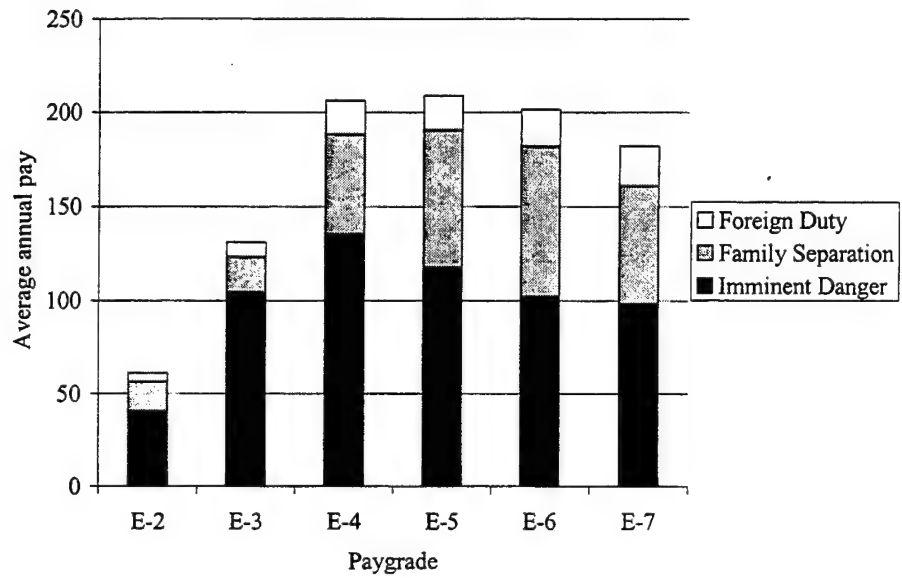
Figure 2. Army: average annual away pay<sup>a</sup>



a. Source: 1999 JUMPS data as tabulated by RAND.

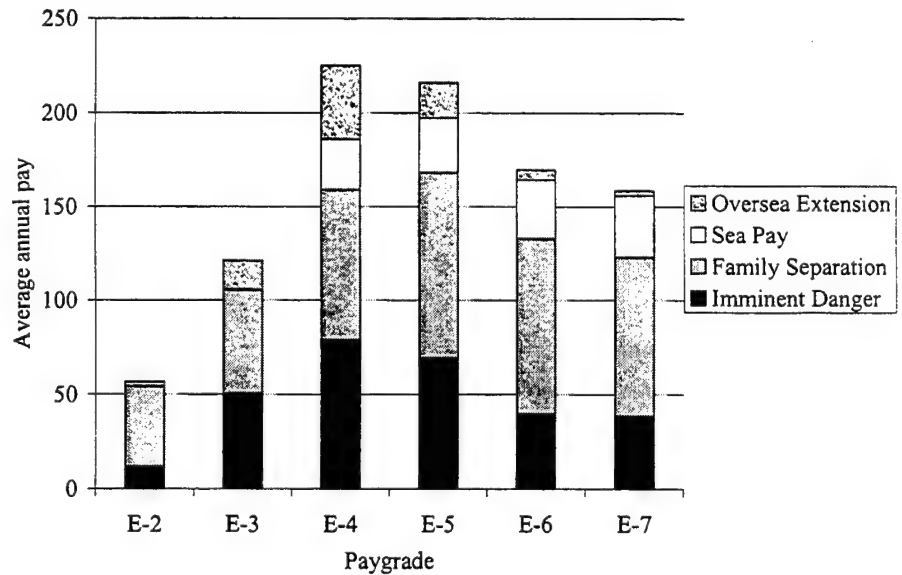
20. All of the charts refer to HDP-L as Foreign Duty Pay because the older pay was still in effect in 1999. Each of the services had a small "other" category, never over \$10 per year, that has been omitted for clarity.

Figure 3. Air Force: average annual away pay<sup>a</sup>



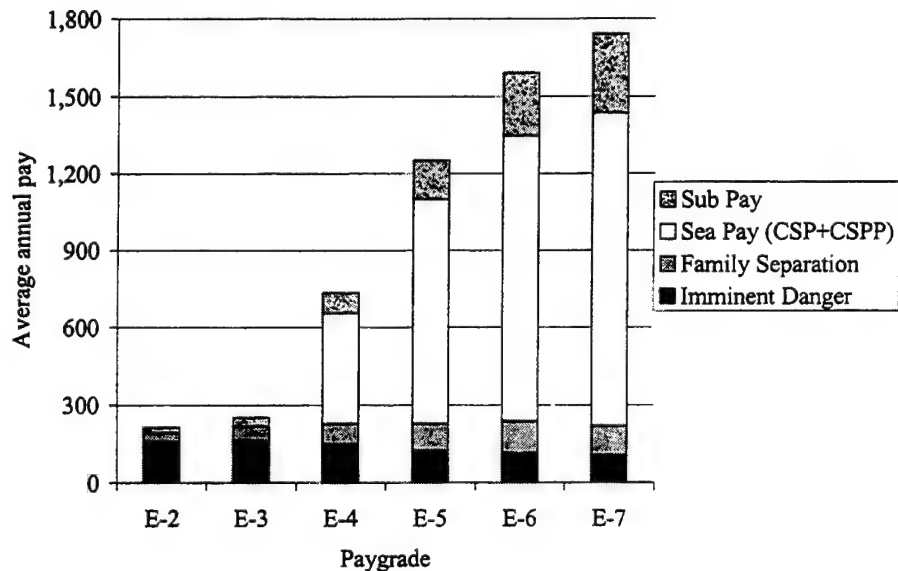
a. Source: 1999 JUMPS data as tabulated by RAND.

Figure 4. Marine Corps: average annual away pay<sup>a</sup>



a. Source: 1999 JUMPS data as tabulated by RAND.

Figure 5. Navy: average annual away pay<sup>a</sup>



a. Source: 1999 JUMPS data as tabulated by RAND.

The Army and Air Force away pay figures are most similar in structure. Both peaked in average amount for an E-5, the Army at about \$240 per year and the Air Force at about \$210. Both of them paid most of their away pays in Imminent Danger Pay and Family Separation Allowances. Foreign Duty Pay accounted for a relatively small share of the average amount of away pays for these services, a trend that will likely change in the future because HDP-L pay rates were increased substantially earlier this year.

Marine Corps average annual away pays are similar in magnitude to those of the Army and the Air Force, but they differ somewhat in structure. The average away pay amount peaks earlier, at E-4, at \$225 per year, stays close to this level for E-5s, then falls away more rapidly at higher paygrades.<sup>21</sup> Although Marines receive negligible amounts of Foreign Duty Pay, sea pay and OTEIP help to bring the total

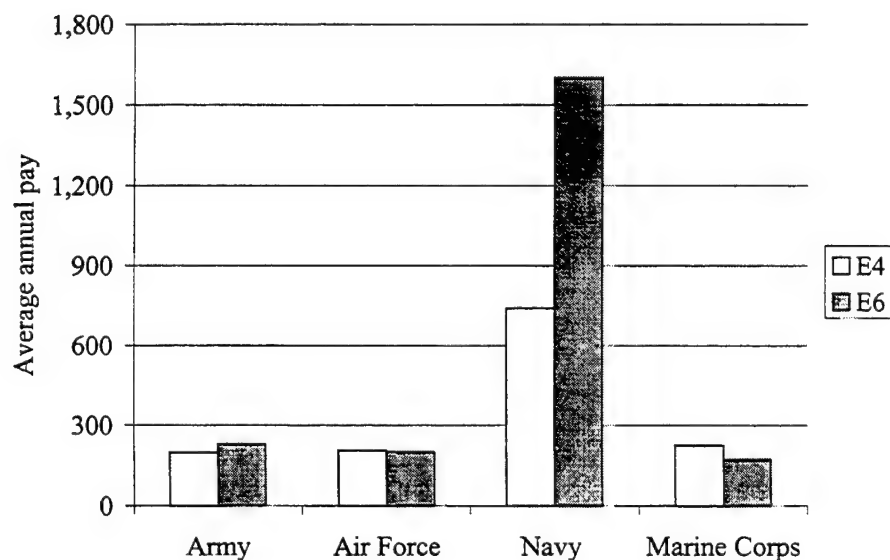
21. We omitted E-8s and E-9s from these charts to make them easier to read, but the Marine Corps' sharp decline in deployment-related pays at higher paygrades continues through E-8 and E-9. In the Air Force, E-8s are much the same as E-7s, but away pay falls sharply at E-9. In both the Army and the Navy, away pays don't change much from E-7 through E-9.

average amount of away pays received by Marines closer to the average received across paygrades in the Air Force and in the Army.

Compared to the other services, the Navy offers considerably more away pay due to the substantial average amount of sea pay and, to a lesser extent, submarine pay.<sup>22</sup> Because of these pays, the total amount of Navy away pays do not peak; instead, they increase with paygrade through E-7.

Notice that the scale of figure 5 is different from that of figures 2, 3, and 4. As figure 6 shows, the average amount of away pays for an E-4 in the Navy is over 3 times higher than the average for any of the other services, and for an E-6 almost 8 times higher.

Figure 6. Average away pays by service, selected paygrades<sup>a</sup>



a. Source: 1999 JUMPS data as tabulated by RAND.

22. Recall that these are averages across the entire service. Submarine pay averaged across everyone in the Navy is small because the submarine force is relatively small. For Sailors who actually pull the pay, however, the average amount of submarine pay is generally comparable to the sum of CSP and CSPP for Sailors who receive sea pay.

## Is a new deployment pay needed?

In this section, we turn to the question of whether the current array of away pays is adequate, and, if not, what additional pays are needed. In particular, we will:

- Examine whether existing away pays meet the military's goals.
- Examine the structure and application of existing away pays.

## Are existing pays adequate?

Although some existing special and incentive pays compensate for unique dangers and arduous conditions associated with some military jobs and locations, only a few pays—notably sea pay and FSA—recognize the time spent away from home alone which is characteristic of most military careers.

Table 5 shows the compensation goals met by existing pays and reveals that all the pays currently used to compensate for time away also have other purposes (refer back to table 1 for some of the restrictions placed on these pays):

- Sea pay is flexible enough to apply to much of the time that Sailors and Marines spend deployed, but not all DoN service members who are deployed qualify for sea pay. Some occupations, notably construction, serve on sea/shore rotations but are only eligible for sea pay for days spent under way. Furthermore, the other services also deploy, but do not have an equivalent to sea pay.
- HDP-L is only paid for locations with multiple hardships. Being away from home can be one qualifying factor, but there also must be other hardships.
- FSA is paid only to people with dependents.

- BTP covers only extremely long periods of time deployed, and few people are expected to qualify for the pay, which has temporarily been suspended due to the military action in Afghanistan.
- No existing pays compensate for frequent, shorter deployments or for unanticipated deployments.

Table 5. Goals and features of existing away pays

Pay	Pay intended to compensate for		
	Deployment/ away from home	Danger	Other hardships
Career Sea Pay	Yes		Rigors of sea duty
Career Sea Pay Premium	Yes		Long sea tours
Submarine Duty Pay	Yes		Rigors of submarine duty
Family Separation Allowance	Yes		
Hostile Fire/Imminent Danger Pay		Yes	On occasion
Hardship Duty Pay-Mission			Designated difficult/ unpleasant missions
Hardship Duty Pay-Location	Yes	Yes	Yes (up to 3 hardships total)
Overseas Tour Extension Incentive Pay	Yes		
Combat Zone Tax Exclusion		Yes	
Burdensome Tempo Pay	Yes		Excessive time away

It is apparent from table 6 that current incentive pays do not fully address the needs of people who are deployed but are not on a ship or submarine, or who aren't subjected to other hardships.

## Are existing pays appropriately structured?

The existing array of away, danger, deployment, and other hardship pays is complicated. As a result, people may not fully understand how they benefit from the pays. Furthermore, the pays are sometimes applied inconsistently, causing nonsensical results that may undermine the services' credibility or service members' morale.

Table 6 shows some examples of inconsistencies that existed in February 2000 among imminent danger and combat zone designations and

the ability to bring families (an accompanied tour). This table highlights inconsistencies only; in other areas, the rules were applied consistently.

Table 6. Imminent danger, combat zone, and unaccompanied tours

Country	Imminent danger	Combat zone	Accompanied tour
Turkey	Yes	Yes (direct support)	Yes
Jordan	Yes	No	Yes
Qatar	Yes	Yes	Yes
Oman	No	Yes	Yes
Azerbaijan	Yes	No	No

Any new deployment pay should be integrated into existing pays so that troops in similar circumstances get the same benefits and any differences can be explained and defended. At the least, any area that qualifies for IDP or CZTE should not allow the presence of family members. In implementing the new HDP-L pay, DOD is addressing some inconsistencies by changing designations.



## Policy options

If the services agree on the need for additional deployment compensation, several specific policy options are available. These range from a pay modeled on the Navy's sea pay, to a third type of hardship duty pay for tempo of operations, to creating a market-based distribution pay.

Several recent or current policy initiatives are aimed at improving incentives to make duty that requires substantial time deployed more attractive. In this section, we evaluate some of the strengths and weaknesses of the different policy options under consideration.

### A sea pay equivalent for non-sea services

Because sea pay was designed to recognize the arduous nature of deploying for long periods of time away from home, and because it has proved helpful to the Navy in meeting manning and retention goals, it may make sense to use sea pay as a model for a deployment pay for the other services. One advantage of sea pay is that there is no need for an exact count of deployed days. Instead, being on a sea tour is used as a proxy for an assignment that requires significant time deployed.

To the extent that other services have classes of units with more deployed time, they could adopt a sea pay equivalent for these units. For example, the Air Force has moved to reorganize so that at any point in time some units are "on call" for deployments and others are not. All units on call could be given a special pay without counting the actual days spent away from home base.

Adding an equivalent to the Career Sea Pay Premium, or an overseas extension incentive, would allow extra compensation for people who undertake exceptionally long periods away or who save PCS costs by extending at remote locations.

## **Extend FSA**

A second option would be to replace FSA with an allowance that is paid regardless of dependency status. Some argue that being deployed is more difficult for members with dependents. If this belief is strongly held, differential rates could be set for members with and without dependents, as is currently done for the Basic Allowance for Housing.

FSA is currently a fixed amount regardless of rank or the amount of time away, so the services would have to reach consensus regarding these issues. Furthermore, because FSA does not apply until someone is away from home for 30 or more days, it will have to be modified if it is to cover frequent, short periods of time away.

## **Adopting a new deployment pay: HDP-Tempo**

### **Background**

When the services developed HDP-M and HDP-L, they also considered an HDP recognizing high PERSTEMPO (HDP-Tempo, or HDP-T). HDP-T was deemed necessary because the risks and hardships associated with new patterns of operations aren't always covered by existing pays we've discussed. Also, problems with the inconsistent application of existing pays could be addressed by integrating a tempo pay into the HDP and IDP structure. This pay hasn't yet gone through, however, because of its estimated cost, disagreements regarding where to set thresholds, and the need to implement BTP.

An initial proposal recommended that service members receive HDP-T compensation for more than 4 out of 12 months spent away from home. Although the Army agreed to this measure, the Air Force favored a threshold of 3 out of 12 months. From the Navy and Marine Corps' perspectives, either 3 or 4 out of 12 months was too short a cycle because a typical Navy deployment is 6 months and a typical Marine Corps deployment is a 6-month unaccompanied tour. Ultimately, consensus on a uniform PERSTEMPO rate wasn't reached.

The HDP-T was temporarily set aside because of the need to implement the BTP passed by Congress. This pay was considered sufficiently difficult to adopt on a fast schedule, but its purpose is different from the type of deployment pay that the services had originally envisioned. By setting the pay at \$100 a day and mandating a 400/730-day threshold, the legislation ensures that the pay serves more as a penalty to the services than as a reward to service members. Because of its high rate, the services are unlikely to ever allow many people to qualify for this pay.

A positive effect, however, is that in implementing BTP the services have agreed to the method of defining and counting deployed days described earlier in this paper. The services are currently tracking, for each person, days away from home while engaged in operational duty or unit training exercises. If the services decide to do so, they will now have an easier time implementing a tempo pay that can be graduated based on cumulative time away. The need for a tempo pay might be even more important now that BTP has been temporarily suspended.

## **Flexibility**

A general principle of the 9<sup>th</sup> QRMC is that the military needs more flexibility in setting pays. Consistent with this principle, designing a deployment pay policy may be made easier if the law creates a pay with guidelines and boundaries that are as general as possible. Because HDP-T is under development, it's still possible to write the law so that individual services have the discretion to set pay levels to fit their own operational patterns and compensation needs.

As new international peacekeeping roles evolve, deployment patterns and risks and hardships to service members are changing. Some services, or branches of services, are maintaining traditional deployment patterns, but others have increased personnel tempo, either through longer deployments or through more frequent, shorter deployments. Also, in a rapidly changing world, there is need for increased flexibility so that incentive pays can be started promptly when conditions warrant, and then stopped immediately when conditions improve.

HDP-M and HDP-L are flexible in that they outline general conditions under which hardship pays can be implemented, but allow the

services to name the exact missions and locations that will receive extra compensation. The services can also vary rates of pay, within a fairly generous ceiling set by law. Adding HDP-T to this structure should allow the services to maintain, and even increase, the flexibility built into the other HDPs.

## Tax relief proposals

Another policy option recently proposed is to apply foreign-earned income exclusion tax laws to overseas service members. Non-governmental personnel working overseas can exclude up to \$76,000 of foreign-earned income from U.S. federal income taxes if they are away for the entire tax year. Legislation could be proposed to change the tax code, extending this exclusion to service members stationed overseas.

The average annual tax savings of the initiative has been estimated to be \$6,300 if a full \$76,000 income exclusion is allowed, and \$3,000 if the exclusion is limited to \$20,000 of income. With up to 220,000 overseas service members affected, the annual cost of the proposal would be \$660 million to \$1.4 billion.

A related proposal makes an adjustment for lost spousal income. The Navy proposes a change to the tax code that allows couples transferred overseas to claim a deduction equal to 30 percent of the difference between the spouse's average earnings over the previous 3 years and what he or she can earn overseas. The estimated average tax savings for this proposal is much lower, only \$750 per year, and would apply only to service members who had spouses who worked before moving overseas. As a result, the estimated annual cost of this proposal should be well below the \$660 million associated with a \$20,000 income exclusion for all overseas personnel.

Proponents of tax relief measures argue that they send a clear signal of the uniqueness of military service. A disadvantage of tax relief proposals, however, is that they are less valuable to people in lower tax brackets. Also, people with higher itemized deductions, typically homeowners, benefit less. The adjustment for lost spousal income also may have unintended consequences because it applies only to married members, and then only to married members whose spouses

work. Currently, relatively more single people go overseas precisely because it is less costly for them to do so, both in terms of forgone spousal income and family disruptions. Sending single people overseas also means lower PCS costs for the services. A policy that creates a relatively greater incentive for married people to go overseas would take away some of these savings.

A major shortcoming of tax policies is that they do not allow the services the flexibility to target incentives to meet their needs. If more flexible compensation policies are desired, tax policies should be avoided. Tax incentives that are set in law as part of the tax code cannot be changed at the discretion of the services. Furthermore, the incentive value of tax exemptions can change as a result of changes in other parts of the tax code that are beyond the services' control. For example, the recent tax cuts eroded the value of any tax exclusions.

A deceptively enticing aspect of tax programs is the notion that they do not increase military manpower costs. Although the Treasury would bear the direct cost of lower tax revenues, federal budget authorities have made it clear that DoD would have to concede offsetting budget reductions to cover any tax proposal.

## **Distribution incentive pay**

Another initiative proposes testing a flexible, market-based incentive pay to encourage members to volunteer for hard-to-fill jobs. The initiative is written to allow payments of up to \$6,000 per year adjusted at the Service Secretaries' discretion. One advantage of distribution incentive pay, as opposed to tax policies, is that the benefit can be targeted only where there are manning shortfalls and then can be adjusted to the lowest level that will keep billets fully manned.

The distribution pay proposal specifically creates a flexible pay element that can be adjusted in response to changing conditions. It can be targeted at specific types of billets where manning problems exist. It could be implemented gradually so that the services could experiment until they find the correct level for incentives and establish mechanisms for setting and adjusting bonuses.

In the long run, the distribution incentive pay could be used to address a wide variety of distribution problems, rather than focusing on one narrowly defined problem. Specifying the exact conditions, such as imminent danger, arduous working or living conditions, duty away from home, combat conditions, and so on, requires complicated, bureaucratic structures to establish and implement new pays and the ability to clearly delineate hardships.

Allowing the market to set distribution incentives and allowing people to volunteer for jobs at bonuses that compensate them for negative attributes has many advantages:

- It would allow the services to take advantage of differences in tastes for job attributes. Some people may be willing to accept high operating tempos at relatively low premiums, whereas others demand much higher compensation. Voluntary assignments mean that people who have relatively less distaste for a job volunteer first and at lower prices.
- Market prices would force policy-makers to pay the full, immediate cost of sending people to remote locations or increasing the tempo of operations. The costs are incurred even under an involuntary assignment system, but are observed only indirectly in the form of recruiting, attrition, and retention problems.
- PCS costs would decrease because there will be less need to rotate people quickly through hard-to-fill assignments in order to "share the pain."

## **Recommendations**

### **Review of policy options**

Setting a policy to compensate service members for deployment time illustrates the elements of an effective compensation strategy. The strategy should begin with a clear vision of what the pay is trying to accomplish—in this case, to compensate for time away from home, family separation, and onerous duty while deployed. Given these goals, the best policy is to create a pay that is as flexible as possible so that policy-makers can respond to changing conditions as warranted.

To the extent possible, the new pay should be designed so that the services do not need to go back through the ULB process or to Congress to make required future changes to the pay. Establishing the broad goals and outlines of the new policy, setting generous ceilings rather than specific amounts, and leaving as many details as possible to the discretion of the services will make the new policy more flexible and more acceptable to both the services and policy-makers.

The military's system of special and incentive (S&I) pays is seriously in need of reform. A proliferation of complicated pays, each addressing one specific problem, has resulted in a cumbersome system of over 60 pays. Many are set at arbitrary levels with no clear criteria for when and how to adjust them. From the individual service member's perspective, the total pay package may seem less valuable if a share of it is in seemingly arbitrary and unpredictable pays.

Many of these arguments support a flexible, market-based distribution pay and a voluntary assignment system. The Army has already been using SRBs as an incentive to reenlist and take a job in a certain location. The Navy is planning to implement a distribution SRB shortly and is also considering other types of distribution pay. Integrating many of the current hardship recognition pays, and incorporating a deployment pay, into a market-determined distribution incentive may be the long-run solution. Many questions remain, however, about how such a pay would be administered and what infrastructure would need to be built. As a result, a distribution incentive pay may be an impractical short-run solution.

## **Pursue HDP-T**

For the present, then, we recommend continuing with the special and incentive pay reforms by adding a deployment or tempo pay within the new Hardship Duty Pay structure. This would allow the services to build on existing successes in designing new pays that are as flexible and integrated as possible.

Under the existing HDP structure, flexibility could be allowed in:

- Amounts to be paid, subject to the current legislated maximum of \$300 per month. If no minimum is set, individual services could also decide not to adopt the pay at all.

- Pay thresholds, such as what minimum lengths of away time must be served and how amounts should be graduated as tempo or unpredictability increases.
- How amounts should vary, if at all, by dependency status, rank, occupation, and type of duty.

As far as current rates for the services to set, they should probably fall within the bounds of the other away pays currently paid. Although the maximum sea pay rate was previously set at \$520 per month, this amount was paid to a very few Sailors in the highest paygrades with very long cumulative sea duty time. A more common amount of sea pay was previously around \$200 per month. Similarly, with submarine pay, the maximum is \$355 per month, but an average amount is \$230 per month. Recall also that, in addition to compensating for long, repeated deployments and family separation, sea pay is also meant to cover cramped living and working conditions, unpredictability of operation schedules, limited recreational facilities, and in-port duties to support readiness.

HDP-L ranges from \$50 to \$150, HDP-M is \$150 per month, and IDP is \$150 per month. These pays are being integrated, however, so that even if someone has a combination of bad working conditions (such as serving in a location with multiple hardships that also qualifies for Imminent Danger Pay), the maximum combined pay would be \$200 to \$250 per month. To be comparable to other current pays, then, a deployment pay designed primarily to compensate for the single negative condition of high personnel tempo should probably range from \$50 for moderate levels to a \$150 to \$200 maximum.

In addition, the size of the total S&I pay budget should be kept in mind and a realistic proposal made. A recent Air Force proposal for a deployment pay with a maximum payment of over \$500 per month had a total estimated budget of almost \$19 million. Table 4 shows that in the 2001 budget the Air Force spent a total of \$28 million on all away types of pays. The new pay, then, would increase expenditures on away pays by almost 68 percent. A proposal similar to the Air Force's, but with a range from \$50 to \$150 per month, would mean a much less drastic budget increase, while keeping payments for tempo hardships in line with other existing hardship pays.



## Conclusions

Deployments are difficult for both military personnel and their families. Although most agree that service members should be compensated for deployed time, careful consideration of the issues and concepts related to deployments is necessary to facilitate adoption of any new pay. The steps to recognizing and resolving these issues include establishing clear goals for the pay, deciding for which hardships the services want to compensate, defining relevant terms, and structuring the pay appropriately.

This approach also can be used to assess the sufficiency of existing away pays. We find that the services use an array of existing pays to compensate for deployments, but these pays make up only a very small share—well under 1 percent for most—of the services' personnel budgets. Though the Navy's sea pay compensates its personnel for the away time and rigors associated with sea duty, no similar pay exists for the other services.

Existing away pays also suffer from several inconsistencies, which can make them difficult for people to understand and can, ultimately, undermine morale. Some pays require dependents or multiple hardships for receipt, and currently there are no pays available that compensate for unpredictable or frequent, shorter periods away from home.

Finally, many existing away pays lack the flexibility required to effectively target benefits to areas where manning shortfalls exist—regardless of the reasons for these observed shortfalls.

Because flexibility is a key consideration in compensation design, a distribution incentive pay is recommended as a long-run goal. In the short run, however, we recommend implementing a Hardship Duty Pay to cover personnel tempo or deployment time. This pay could be better integrated with other, existing S&I pays and could incorporate

and extend the flexibility of the other new Hardship Duty Pays. As a result, it would be a favorable policy alternative to tax relief proposals, extending a sea-pay type of pay to other services, or changing other existing pays—measures that provide relatively less flexibility. A flexible distribution pay or deployment pay policy would also allow for adjustments when the services' goals or circumstances change, without requiring changes through the ULB process or congressional approval.

Given the inherent differences between the services' operations and goals, it is unlikely that any created deployment pay will be uniform across the services. By allowing some structural flexibility, however, it can be possible to institute a pay that both meets the services' needs and adequately recognizes the unique hardships associated with deployment.

## Appendix: Detailed enlisted military personnel budget data

The source of the data in this appendix and in figure 1 and table 1 is the Defense Technical Information Center web site at [http://www.dtic.mil/comptroller/fy2002budget/amendfy2002\\_m1.xls](http://www.dtic.mil/comptroller/fy2002budget/amendfy2002_m1.xls).

Definitions of the categories in tables 7 and 8 follow:

- Basic Pay, Retired Pay Accrual, Basic Allowance for Housing, and Subsistence are entitlements 1 through 4, with no subcategories.
- Incentive Pay, Hazardous Duty, and Aviation Career—entitlement 5—contain Flying Duty, Submarine Duty, Parachute Jump, Demolition, and Other pays.
- Special Pays—entitlement 6—contain Sea Duty, Hardship Duty, Overseas Extension, Foreign Language Proficiency, Diving Duty, Reenlistment Bonus, Special Duty Assignment, Enlistment Bonus, Nuclear Accession Bonus, Education Benefits, Loan Repayment, and Hostile Fire Pays.
- Allowances—entitlement 7—contain the Uniform/Clothing Allowance, Station Allowance Overseas, CONUS COLA, and Family Separation Allowance.
- Separation Pay, Social Security Tax Payments, Permanent Change of Station Travel, and Other Military Personnel Costs are entitlements 8 through 11, with no subcategories.

Table 7. Enlisted military personnel appropriations (dollars)

Pay category	Army	Air Force	Navy	Marine Corps	Total
<b>FY 1999, actual</b>					
BASIC PAY	7,437,734	5,787,488	5,967,377	2,613,397	21,805,996
RETIRED PAY ACCRUAL	2,246,196	1,747,821	1,799,487	787,406	6,580,910
BASIC ALLOWANCE FOR HOUSING	1,193,082	1,123,423	1,353,867	385,709	4,056,081
SUBSISTENCE	1,245,084	793,531	782,239	368,743	3,189,597
INCENTIVE, HAZARD & AVIATION CAREER	68,121	25,346	85,226	8,177	186,870
SPECIAL PAYS	281,836	152,848	533,058	63,651	1,031,393
ALLOWANCE	416,240	348,632	431,808	148,700	1,345,380
SEPARATION PAY	222,593	68,659	165,092	46,563	502,907
SOCIAL SECURITY TAX PAYMENTS	638,503	503,330	513,845	222,682	1,878,360
PERMANENT CHANGE OF STATION	813,752	552,415	451,374	151,300	1,968,841
OTHER MILITARY PERSONNEL COSTS	203,758	34,896	98,770	44,166	381,590
<b>TOTAL</b>	<b>14,766,899</b>	<b>11,138,389</b>	<b>12,182,143</b>	<b>4,840,494</b>	<b>42,927,925</b>
<b>FY 2000, actual</b>					
BASIC PAY	7,682,372	5,944,627	6,170,509	2,735,499	22,533,007
RETIRED PAY ACCRUAL	2,442,994	1,890,391	1,962,223	867,901	7,163,509
BASIC ALLOWANCE FOR HOUSING	1,265,347	1,136,294	1,446,962	410,172	4,258,775
SUBSISTENCE	1,341,033	799,141	765,503	368,908	3,274,585
INCENTIVE, HAZARD & AVIATION CAREER	68,858	33,069	84,057	8,075	194,059
SPECIAL PAYS	436,100	262,181	627,432	95,271	1,420,984
ALLOWANCE	449,103	353,853	402,292	168,631	1,373,879
SEPARATION PAY	201,466	71,109	89,631	46,634	408,840
SOCIAL SECURITY TAX PAYMENTS	581,587	454,764	471,496	208,788	1,716,635
PERMANENT CHANGE OF STATION	1,097,115	874,398	630,381	241,636	2,843,530
OTHER MILITARY PERSONNEL COSTS	134,365	49,226	69,922	28,864	282,377
<b>Total</b>	<b>15,700,340</b>	<b>11,869,053</b>	<b>12,720,408</b>	<b>5,180,379</b>	<b>45,470,180</b>

Table 7. Enlisted military personnel appropriations (dollars) (continued)

Pay category	Army	Air Force	Navy	Marine Corps	Total
FY 2001, estimate					
BASIC PAY	8,098,895	6,153,049	6,488,971	2,872,772	23,613,687
RETIRED PAY ACCRUAL	2,397,273	1,821,303	1,918,368	848,381	6,985,325
BASIC ALLOWANCE FOR HOUSING	1,276,208	1,178,892	1,502,003	428,521	4,385,624
SUBSISTENCE	1,225,097	801,842	824,475	408,091	3,259,505
INCENTIVE, HAZARD & AVIATION CAREER	69,610	33,810	91,217	8,356	202,993
SPECIAL PAYS	493,763	317,516	693,113	118,418	1,622,810
ALLOWANCE	360,457	301,594	352,536	158,542	1,173,129
SEPARATION PAY	236,986	89,070	118,431	55,235	499,722
SOCIAL SECURITY TAX PAYMENTS	615,313	470,709	491,407	219,262	1,796,691
PERMANENT CHANGE OF STATION	1,122,544	873,379	633,007	250,305	2,879,235
OTHER MILITARY PERSONNEL COSTS	134,365	39,604	66,378	29,560	269,907
Total	16,030,511	12,080,768	13,179,906	5,397,443	46,688,628
FY 2002, estimate					
BASIC PAY	8,638,466	6,791,260	7,054,710	3,055,219	25,539,655
RETIRED PAY ACCRUAL	2,617,464	2,057,752	2,135,153	923,588	7,733,957
BASIC ALLOWANCE FOR HOUSING	1,464,926	1,353,415	1,841,733	529,819	5,189,893
SUBSISTENCE	1,316,174	810,790	894,971	435,973	3,457,908
INCENTIVE, HAZARD & AVIATION CAREER	68,302	35,093	89,291	8,356	201,042
SPECIAL PAYS	425,725	455,386	737,536	113,910	1,732,557
ALLOWANCE	376,594	372,481	385,568	172,907	1,307,550
SEPARATION PAY	353,111	196,962	229,464	84,134	863,671
SOCIAL SECURITY TAX PAYMENTS	654,354	516,360	534,685	233,195	1,938,594
PERMANENT CHANGE OF STATION	1,087,922	929,410	689,807	257,556	2,964,695
OTHER MILITARY PERSONNEL COSTS	127,949	70,696	72,400	35,519	306,564
TOTAL	17,130,987	13,589,605	14,665,318	5,850,176	51,236,086

Table 8. Enlisted military personnel appropriations (percentages)

Pay category	Army	Air Force	Navy	Marine Corps	Total
<b>FY 1999, actual</b>					
BASIC PAY	50.4	52.0	49.0	54.0	50.8
RETIRED PAY ACCRUAL	15.2	15.7	14.8	16.3	15.3
BASIC ALLOWANCE FOR HOUSING	8.1	10.1	11.1	8.0	9.4
SUBSISTENCE	8.4	7.1	6.4	7.6	7.4
INCENTIVE, HAZARD & AVIATION CAREER	0.5	0.2	0.7	0.2	0.4
SPECIAL PAYS	1.9	1.4	4.4	1.3	2.4
ALLOWANCE	2.8	3.1	3.5	3.1	3.1
SEPARATION PAY	1.5	0.6	1.4	1.0	1.2
SOCIAL SECURITY TAX PAYMENTS	4.3	4.5	4.2	4.6	4.4
PERMANENT CHANGE OF STATION	5.5	5.0	3.7	3.1	4.6
OTHER MILITARY PERSONNEL COSTS	1.4	0.3	0.8	0.9	0.9
Total	100.0	100.0	100.0	100.0	100.0
<b>FY 2000, actual</b>					
BASIC PAY	48.9	50.1	48.5	52.8	49.6
RETIRED PAY ACCRUAL	15.6	15.9	15.4	16.8	15.8
BASIC ALLOWANCE FOR HOUSING	8.1	9.6	11.4	7.9	9.4
SUBSISTENCE	8.5	6.7	6.0	7.1	7.2
INCENTIVE, HAZARD & AVIATION CAREER	0.4	0.3	0.7	0.2	0.4
SPECIAL PAYS	2.8	2.2	4.9	1.8	3.1
ALLOWANCE	2.9	3.0	3.2	3.3	3.0
SEPARATION PAY	1.3	0.6	0.7	0.9	0.9
SOCIAL SECURITY TAX PAYMENTS	3.7	3.8	3.7	4.0	3.8
PERMANENT CHANGE OF STATION	7.0	7.4	5.0	4.7	6.3
OTHER MILITARY PERSONNEL COSTS	0.9	0.4	0.5	0.6	0.6
Total	100.0	100.0	100.0	100.0	100.0
<b>FY 2001, estimate</b>					
BASIC PAY	50.5	50.9	49.2	53.2	50.6
RETIRED PAY ACCRUAL	15.0	15.1	14.6	15.7	15.0
BASIC ALLOWANCE FOR HOUSING	8.0	9.8	11.4	7.9	9.4
SUBSISTENCE	7.6	6.6	6.3	7.6	7.0
INCENTIVE, HAZARD & AVIATION CAREER	0.4	0.3	0.7	0.2	0.4
SPECIAL PAYS	3.1	2.6	5.3	2.2	3.5
ALLOWANCE	2.2	2.5	2.7	2.9	2.5
SEPARATION PAY	1.5	0.7	0.9	1.0	1.1
SOCIAL SECURITY TAX PAYMENTS	3.8	3.9	3.7	4.1	3.8
PERMANENT CHANGE OF STATION	7.0	7.2	4.8	4.6	6.2
OTHER MILITARY PERSONNEL COSTS	0.8	0.3	0.5	0.5	0.6
Total	100.0	100.0	100.0	100.0	100.0

Table 8. Enlisted military personnel appropriations (percentages) (continued)

Pay category	Army	Air Force	Navy	Marine Corps	Total
FY 2002, estimate					
BASIC PAY	50.4	50.0	48.1	52.2	49.8
RETIRED PAY ACCRUAL	15.3	15.1	14.6	15.8	15.1
BASIC ALLOWANCE FOR HOUSING	8.6	10.0	12.6	9.1	10.1
SUBSISTENCE	7.7	6.0	6.1	7.5	6.7
INCENTIVE, HAZARD & AVIATION CAREER	0.4	0.3	0.6	0.1	0.4
SPECIAL PAYS	2.5	3.4	5.0	1.9	3.4
ALLOWANCE	2.2	2.7	2.6	3.0	2.6
SEPARATION PAY	2.1	1.4	1.6	1.4	1.7
SOCIAL SECURITY TAX PAYMENTS	3.8	3.8	3.6	4.0	3.8
PERMANENT CHANGE OF STATION	6.4	6.8	4.7	4.4	5.8
OTHER MILITARY PERSONNEL COSTS	0.7	0.5	0.5	0.6	0.6
Total	100.0	100.0	100.0	100.0	100.0

## References

- [1] Heidi L. W. Golding and Susan C. McArver. *Navy Sea Pay: History and Recent Initiatives*, Aug 2001 (CNA Research Memorandum 3611.A1/SR1)
- [2] Ronald G. Ehrenberg and Robert S. Smith. *Modern Labor Economics: Theory and Public Policy*. New York: HarperCollins Publishers, Inc. 1991
- [3] Paul F. Hogan and Pat Mackin. *Special and Incentive Pays: Potential Issues and Proposed Analysis*, Briefing to 9th QRMC Working Group, 16 Nov 2000
- [4] Staff Sgt. Alicia K. Borlik, USA. "DoD Tracks Military Deployments." *Armed Forces Information Service*, 17 Jun 1998
- [5] GAO Letter Report. *Military Readiness: A Clear Policy Is Needed To Guide Management of Frequently Deployed Units*. 8 Apr 1996 (GAO/NSAID-96-105)
- [6] Sgt. 1st Class Kathleen T. Rhem, USA. "DoD to Improve Deployment Tracking." *Armed Forces Information Service*, 20 Apr 2001 ([http://www.defenselink.mil/news/Apr2001/n04202001\\_200104201.html](http://www.defenselink.mil/news/Apr2001/n04202001_200104201.html))
- [7] Sgt. 1st Class Kathleen T. Rhem. "High Deployment Per Diem Stopped for Enduring Freedom." *Armed Forces Information Service*, 12 Oct 2001
- [8] Anita Hattiangadi. "Can Do" No More: An Assessment of Seabee Compensation, Nov 2001 (CNA Research Memorandum 5212.A1/SR1)
- [9] David Brown. "Pentagon Outlines Details of Sept. 11 Hostile Fire Pay." *Navy Times*, 29 Oct 2001



- [10] Vince Crawley. "New Hardship Pay May Reap Extra Money." *Navy Times*, 26 Nov 2001
- [11] "New Hardship Duty Pay Takes Effect Jan. 1." *Air Force News*, 28 Dec 2000.
- [12] Vince Crawley. "Pentagon Expands Imminent-Danger Pay." *Navy Times*, 12 Nov 2001
- [13] Rick Maze. "Lawmakers Won't Seek Delay of Excessive-Deployment Pay." *Navy Times*, 27 Aug 2001
- [14] Sgt. 1st Class Kathleen T. Rhem. "High Deployment Per Diem Stopped for Enduring Freedom." *Armed Forces Information Service*, 12 Oct 2001
- [15] Beth Asch, James Hosek, and Craig Martin. "Pay Over the Enlisted Career: A Cross-Sectional Analysis of the Components and Variation in Pay." *Briefing to the 9th QRMC Working Group*, 21 Dec 2000

## List of figures

Figure 1. Components of enlisted pay, FY01 military personnel appropriations . . . . .	28
Figure 2. Army: average annual away pay . . . . .	30
Figure 3. Air Force: average annual away pay . . . . .	31
Figure 4. Marine Corps: average annual away pay . . . . .	31
Figure 5. Navy: average annual away pay . . . . .	32
Figure 6. Average away pays by service, selected paygrades . .	33

## List of tables

Table 1.	Summary of existing away pays . . . . .	12
Table 2.	Enlisted monthly CSP by paygrade, effective 1 July 2000 . . . . .	14
Table 3.	Enlisted monthly CSP for paygrades E-1 through E-9, effective 1 October 2001 . . . . .	15
Table 4.	Enlisted Incentive, Special, and Allowance (ISA) pays . . . . .	29
Table 5.	Goals and features of existing away pays . . . . .	36
Table 6.	Imminent danger, combat zone, and unaccompanied tours . . . . .	37
Table 7.	Enlisted military personnel appropriations . . . . .	50
Table 8.	Enlisted military personnel appropriations . . . . .	52

# **Distribution list**

## **Research Memorandum D0004458.A2**

### **OUSD (P&R)**

Attn: Dr. Curtis Gilroy

Dr. John Enns

### **OUSD (Compensation)**

Attn: Captain Chris Kopang

Dr. Saul Pleeter

Mr. Chuck Witschonke

### **BUPERS Millington, TN**

Attn: PERS-1

PERS-6

### **USNA Annapolis, MD**

### **NAVPGSCOL Monterey, CA**

### **NAVWARCOL Newport, RI**

### **HQMC (M&RA)**

Attn: MP

MP (Military Policy Section)

### **OPNAV**

N13

N13T

N130

N130B

01/11/2002



CRM D0004458.A2 Final

